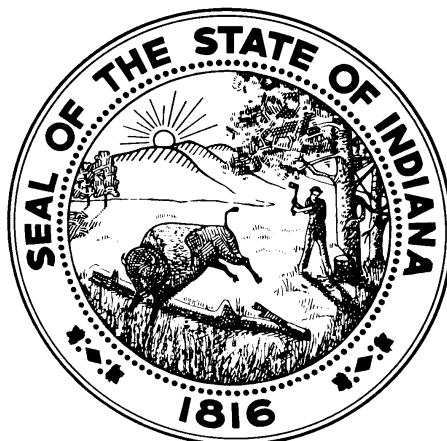


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

POLICE DEPARTMENT
CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

January 1, 2007 to April 30, 2008



FILED
10/07/2008

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CITY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---------------------|----------------------|
| Chief of Police | Angelo Machuca, Jr. | 01-01-07 to 12-31-08 |
| Mayor | George Pabey | 12-29-04 to 12-31-11 |
| Controller | Charles Pacurar | 01-01-07 to 12-31-08 |
| President of the Common Council | Richard Medina | 01-01-07 to 12-31-08 |
| President of the Board of Public Works | Charles Pacurar | 01-01-07 to 12-31-08 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO

We have audited the records of the City of East Chicago Police Department for the period from January 1, 2007 to April 30, 2008, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of the City of East Chicago for the year 2007.

STATE BOARD OF ACCOUNTS

June 12, 2008

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED – CASH BONDS

Cash bonds are received at the Police Department when an arrested person is released on bond. Upon being released, and "bonding out," a police officer in the booking area writes a receipt for the cash bond. The cash bond money is always cash and ranges from \$100 to \$1,500 as ordered by the court. The police officer then puts the cash in an envelope, and notes the person's arrest information on the envelope. The officer seals the envelope and then drops the envelope through a slot into a locked safe. (Only the Police Chief's Secretary and an office manager have access to the safe.) The Police Chief's Secretary takes the envelopes from the safe to her desk, compiles a report, and then takes the report, the envelopes, and the cash bond money to the Clerk's office to be deposited. A copy of the Police Chief's Secretary's cash bond report was also retained at the Police Department.

We reviewed all cash bond receipts written at the Police Department for the period January 1, 2005 through April 30, 2008. We then traced these cash bond receipts to the Clerk's Cash Bond Register. We found that 84 of the Police Department's cash bond receipts could not be traced to the Clerk's records. Cash bond receipts totaling \$40,855.00 could not be traced to the Clerk's records and were not deposited for the following years:

| | |
|------|---------------------|
| 2005 | \$ 1,435.00 |
| 2006 | 500.00 |
| 2007 | 3,300.00 |
| 2008 | <u>35,620.00</u> |
| | <u>\$ 40,855.00</u> |

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We have requested the former Police Chief's Secretary, Julia E. Moore, to reimburse the City of East Chicago \$40,855.00 for the cash bond receipts not deposited.

On June 27, 2008, the former Police Chief's Secretary, Julia E. Moore, entered into an agreement with the East Chicago City Clerk, whereby she will repay the cash bond receipts not deposited in installments. The first installment was received by the East Chicago City Clerk on June 27, 2008, in the amount of \$8,712.33. A second installment was received by the East Chicago City Clerk on September 8, 2008, in the amount of \$6,710.01. A final installment of \$26,832.66 was received by the East Chicago City Clerk on September 26, 2008, resulting in an overpayment of \$1,400, which may need to be repaid to Julia E. Moore. (See Summary, page 16)

RECEIPTS NOT DEPOSITED - RECORDS DIVISION

The Police Department's Records Division collects fees for accident reports, Vehicle Identification Number (VIN) checks, criminal history reports, tow releases, and other reports. The money collected is always cash, as they do not accept checks from the general public and do not make change. At the time of receipt, both the money and copy of the receipt are placed in a blank envelope and dropped into a locked box. At the end of the week, the box is opened and a Report of Collections is prepared by a supervisor to take to the City Controller's office for depositing. During our audit period, various Police

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Department employees were responsible for taking the money to the Controller's office. A duplicate unsigned copy of the Report of Collection is maintained at the Police Department. When the money is delivered to the Controller's office, the Controller's employee responsible for receipting the money into the City's ledger signs the Report of Collections, which is kept by the Controller's office. A receipt is issued by the Controller's office, but it is not issued at the time the money is remitted to the Controller.

During our audit, we were unable to trace nine Reports of Collections from the Records Division to the City's ledger. These nine Reports of Collections represented receipts totaling \$1,738.00 that were not deposited at the Controller's office. The Police Department did not have controls to follow up on all duplicate Reports of Collections maintained in the Records Division.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We were unable to specifically identify the individual(s) responsible for the Record Division's \$1,738.00 in receipts not deposited. (See Summary, page 16)

AUDIT COSTS – RECEIPTS NOT DEPOSITED

Additional audit costs of \$19,906.38 were incurred by the State of Indiana in the investigation of receipts not deposited.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CRIME POLICY – EMPLOYEE DISHONESTY

The City does not have employee blanket bonds or employee dishonesty insurance coverage for employees that handle money in the Police Department. Officials indicated that in years past the City had employee blanket bonds for numerous City employees; however, in the past three years, the list was shortened substantially and the positions in the Police Department were omitted.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, . . . officers and employees shall file an individual surety bond: (1) City judges, controllers, clerks, and clerk-treasurers. . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county.

(b) The fiscal body of a city, . . . may by ordinance, authorize the purchase of a blanket bond or a crime insurance policy . . . to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit including those officers described in subsection (a).

(c) The fiscal bodies of the respective units shall fix the amounts of the bond of city controllers, city clerk- treasurers, . . . Barrett Law fund custodians, . . . as follows:

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) The amount must equal fifteen thousand dollars (\$15,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000). . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than eight thousand five hundred dollars (\$8,500). . . ."

Indiana Code 5-4-1-19 states:

"The bonds prescribed by IC 5-4-1-18 cover the faithful performance of the duties of the officer or employee, including the duty to comply with IC 35-44-1-2 and the duty to account properly for all monies and property received by virtue of his position or employment."

NOTE: All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPTS NOT DEPOSITED TIMELY

Money collected at the Police Department was not remitted (for deposit) to the appropriate office on a timely basis. Money collected for cash bonds should be deposited daily. Other collections should be remitted to the City Controller's office at least weekly. The following delays from the date of receipt at the Police Department to the date remitted to the appropriate office were noted as follows:

Cash bond receipts – 94 days to the City Clerk's office
Handgun permit receipts – 491 days to the City Controller's office
Records Department receipts – 171 days to the City Controller's office

Employees in charge of remitting collections to the City Controller's office were not bonded during the audit period, and were reluctant to transport collections to the City Controller's office. This resulted in infrequent remittances.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

EMPLOYEE SERVICE RECORD DEFICIENCIES

The City uses the prescribed Form 99A, Employee's Service Record, to record vacation and sick time earned and used; however, the Police Department does not use this form. The Police Department uses an unapproved "Employee Data Calendar" (Electronic Record) to record vacation and sick days used. Cumulative leave balances for vacation and sick were not noted on the "Employee Data Calendar" for the Police Department employees tested. This deficiency was also noted in the prior report.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use at the Police Department:

Receipt (City Form 203)
Report of Collections (General Form 362)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2008, with Charles Pacurar, Controller; Kimberly Anderson, Deputy Controller; Angelo Machuca, Jr., Police Chief; Patricia Melendez, Police Department Personnel Office Manager; and Richard Medina, President of the Common Council. The official response has been made a part of this report and may be found on pages 9 through 15.

In addition, a certified letter containing the comments was sent to Julia E. Moore on August 4, 2008.



City of East Chicago

DEPARTMENT OF POLICE

ANGELO MACHUCA, JR.
CHIEF OF POLICE

2301 EAST COLUMBUS DRIVE
EAST CHICAGO, INDIANA 46312
PHONE (219) 391-8400 FAX (219) 391-8322

GEORGE PABEY
MAYOR

August 5, 2008

Porter County Government Center
155 Indiana Avenue
Valparaiso, IN 46383

Attention: State Board of Accounts

Gentlemen:

In response to our meeting which was held on Monday, July 28, 2008, please be advised that the following procedures will be taken:

RECEIPTS NOT DEPOSITED – CASH BONDS:

The police department will continue receiving cash bonds when an arrested person is released on bond. A Cash Bond Receipt (City Form 203) will be given to the defendant upon his release. The officer will place a copy of the receipt in the envelope where the cash money is put in with the defendant's arrest information. The officer will seal the envelope and then drop the envelope into a locked safe. On Tuesday and Thursday, the Police Chief's Secretary along with a Clerk from the East Chicago Clerk's Office will take the cash envelopes from the safe for accountability. A Collection Report of Cash Bonds (Form 362) will be filled out and signed by the Police Chief's Secretary and Clerk.

Approved form Receipt (City Form No. 203) and Reports of Collections (General Form 362) will be used as of August 5, 2008.

Please be advised that former Police Chief's Secretary, Julia Moore is currently under investigation by the Indiana State Police for funds misappropriated in the amount of \$40,855.00.

August 5, 2008
Page 2

RECEIPTS NOT DEPOSITED – RECORD'S DIVISION:

A city-bonded courier will be responsible in picking up monies from the police department and delivering same to the Controller's Office 3 times a week.

RECEIPT NOT DEPOSITIED TIMELY:

A city-bonded courier has been increased from once a week to 3 times a week.

CRIME POLICY – EMPLOYEE DISHONESTY:

Blanket bonding is pending for our employees that handle any monies.

EMPLOYEES SERVICE RECORD DEFICIENCIES:

Awaiting approval from the State Board of Accounts to replace Form 99A (Employee's Service Record) to Employee Data Calendar.

I strongly believe that the above (new) procedures that will take in effect immediately will enable this department to improve the deficiencies that were stated in the Audit Report of 2007.


Respectfully yours,



Angelo Machuca, Jr.
Chief of Police

THIS CHECK IS VOID WITHOUT A COLORED BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

Office of City Controller
City of East Chicago
 East Chicago, Indiana



This warrant void two (2) years after
 December 31 of the year of issue


Peoples Bank

Check Date 06/13/08
 Check Number 234351 71-7392/19

\$8,712.33

Pay *** EIGHT THOUSAND SEVEN HUNDRED TWELVE DOLLARS AND 33 CENTS

To The Order Of JULIA E. MOORE
 4928 IVY ST
 EAST CHICAGO, IN 46312


 Authorized Signature

SIGNATURE AREA CONTAINS A KNIGHT & FINGERPRINT CHECK WORDING

⑈234351⑈ ⑆271973924⑆ 2000034238⑈

ABSENCE OF PINK U.S. PATENT NUMBERS UNDER SIGNATURE INDICATES CHECK IS FRAUDULENT PATENT NUMBERS ARE PRINTED WITH HEAT SENSITIVE INK & WILL DISAPPEAR WHEN BLOWING OR RUBBING

Form Prescribed by State Board of Accounts

Form No. 214CT (rev. 2005)

CITY/TOWN COURT RECEIPT - EAST CHICAGO CITY COURT No. 10712

6-27-08

| Date | | | Case Number | | | | | |
|------|--------|------|-------------|-------------------------------------|------|--------|-------|-------|
| Kind | Number | Page | Cash | Check | M.O. | E.F.T. | CC-BC | Other |
| | | | | <input checked="" type="checkbox"/> | | | | |

RECORD
Julia Moore
 From Whom Received

PAYMENT TYPE AND AMOUNT

Restitution on Bonds
 On What Account

\$8,712.33
 Total Received

| | | |
|--|--|--|
| Court Costs: | | |
| State Share | | |
| County Share | | |
| City/Town Share | | |
| State Fines | | |
| Bond Forfeitures | | |
| Infraction Judgments | | |
| Child Restraint System Fines | | |
| Overweight Vehicle Fines | | |
| City/Town Fines | | |
| Document Fees | | |
| Facsimile Fees | | |
| Document Storage Fees | | |
| Late Payment Fees | | |
| Credit Card Service Fees | | |
| Probation User Fees | | |
| Probation Administrative Fees | | |
| Clerk's Probation Administrative Fees | | |
| Fiscal Officer's Probation Administrative Fees | | |
| Local User Fees: | | |
| Pretrial Diversion Program | | |
| Alcohol and Drug Service Program | | |
| Law Enforcement Continuing Education | | |
| Deferral Program | | |
| Drug Court | | |

| | | |
|--|------|----|
| State User Fees: | | |
| Alcohol and Drug Countermeasures | | |
| Drug Abuse, Prosecution: | | |
| Interdiction and Corrections | | |
| Safe Schools Fees | | |
| Highway Worksite Zone Fees | | |
| Domestic Violence Fees | | |
| Automated Record Keeping Fees | | |
| Public Defense Administration Fees | | |
| Judicial Insurance Adjustment Fees | | |
| Judicial Salaries Fees - State Share | | |
| Judicial Salaries Fees - City/Town Share | | |
| Court Administration Fees | | |
| DNA Sample Processing Fees | | |
| Small Claims Service Fees | | |
| Civil Action Service Fees | | |
| Cash Bonds | | |
| Bail Bond Administrative Fees | | |
| Marijuana Eradication Fees | | |
| Jury Fees | | |
| Special Death Benefit Fees | | |
| Other Fees | | |
| Trust Funds | | |
| Garnishee Defendant Service Fee | | |
| <i>Rest on Bonds</i> | | |
| TOTAL | 8712 | 33 |
| | 8712 | 33 |

MARY MORRIS LEONARD, City Clerk

By

Deputy Clerk

Office of City Controller
City of East Chicago
East Chicago, Indiana



This warrant void two (2) years after
December 31 of the year of issue.

Peoples Bank

Check Date 06/13/08
Check Number 234351

71-7392/19

\$8,712.33

Pay *** EIGHT THOUSAND SEVEN HUNDRED TWELVE DOLLARS AND 33 CENTS

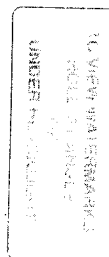
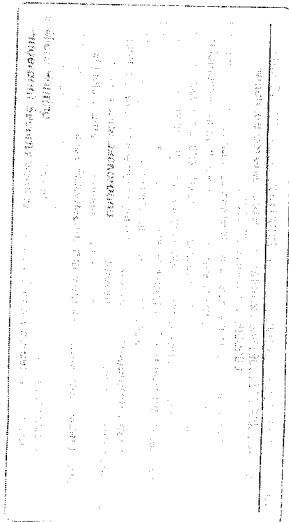
To The Order Of JULIA E. MOORE
4928 IVY ST
EAST CHICAGO, IN 46312

Charles J. Moore
Authorized Signature

SIGNATURE AREA CONTAINS A KNIGHT & FINGERPRINT CHECK WORDING

⑈234351⑈ ⑆271973924⑆ 2000034238⑈

ABSENCE OF PINK U.S. PATENT NUMBERS UNDER SIGNATURE INDICATES CHECK IS FRAUDULENT PATENT NUMBERS ARE PRINTED WITH HEAT SENSITIVE INK & WILL DISAPPEAR WHEN BLOWING OR RUBBING



2571343

INDIANAPOLIS
FINGERPRINT
300000111

PAY TO THE ORDER OF
NATIONAL CITY BANK
INDIANAPOLIS, INDIANA 46255
07400065
FOR DEPOSIT ONLY
MARY MORRIS LEONARD
CITY CLERK

PAID TO East Chicago City Clerk
Julia E. Moore

National City
National City Bank

CHECKING DEPOSIT

SUBJECT TO THE RULES GOVERNING ACCOUNTS
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

NAME

Club, East Chicago City Court

DATE

6/27/08

75-0019-60 (Rev. 04/06)
Region 60

ACCOUNT NUMBER

*

*Rest (Bonds)
Julie Moore
10712*
300000111

☐ CASH

☐ CHECK

TOTAL FROM
OTHER SIDE

SUB TOTAL

☐ DEPOSIT

NET
DEPOSIT

\$

DOLLARS

CENTS

871233

8712.33

8712.33

⑆074000065⑆

001

National City®

3701 Main Street

East Chicago, IN 46312

Branch ID: 00351

Time: 3:02 P.M.

CSR/CB ID: 12

Calendar Date: 06/30/08

Business Date: 06/30/08

Checking Deposit

Transaction Number: 39*

Region: 0060

Account Number: XXXXXX11

Amount: \$8,712.33

Check Amount 1: \$8,712.33

Deposited funds available next
business day unless noted above, visit
www.NationalCity.com/fundsavailability
for further details on the funds availability policy.

Please take a brief survey to tell us about your
experience today and enter for a chance to win
100,000 points from National City.

Call 1-866-388-5797 or visit

www.NationalCityListens.com

For Official Sweepstakes Rules, including
alternate methods of entry, visit

www.NationalCityListens.com

No purchase necessary. Winner of monthly
drawing may choose to receive a \$200 National
City Visa Gift Card in lieu of points.

You must be 18 to enter.

Sweepstakes ends 12/31/2008. Ask us for details.

All transactions are subject to proof and
verification by Bank.

Thank-you for Banking With Us!

FD-016

AGREEMENT

This Agreement made this 27 day of June, 2008 between JULIA MOORE ("Moore") and MARY MORRIS LEONARD, in her capacity as the East Chicago City Clerk ("Clerk").

WHEREAS, Moore is indebted to Clerk, by reason of her failure to properly remit proceeds collected for payments of cash bail bonds, in an amount as yet undetermined, but believed by the parties to be in the approximate amount of \$42,255.00; and

WHEREAS, Moore desires to make restitution for those monies not remitted, which restitution will be received and held by Clerk; and

WHEREAS, Moore is currently employed by the City of East Chicago. She is eligible for and has elected to participate in the City's early retirement program. Under the terms of that program, Moore is eligible to receive cash payments, net after taxes, in the approximate sum of \$ 14,712³³, payable \$ 8,712³³ in June 2008 and the balance of \$ 6,000⁰⁰ in December 2008; and
Sept. 2008 m.m.l. Jan

WHEREAS, Moore, by reason of years of service and age, is eligible to, upon her retirement from the City of East Chicago, collect a pension from the Public Employees Retirement Fund (PERF).

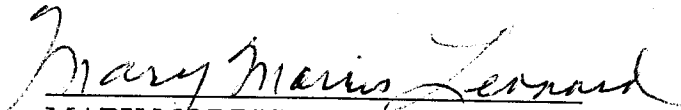
NOW THEREFORE, in consideration of the mutual benefits and obligations of the parties, it is agreed as follows:

1. That Moore hereby assigns, or otherwise agrees to pay to Clerk the net proceeds of her early retirement payments from the City of East Chicago to be received in 2008 in the approximate amount of \$ 14,712³³. Moore hereby consents to Clerk receiving such money directly from the East Chicago City Controller, or otherwise agrees to immediately, upon receipt of such checks, properly endorse and deliver such checks to Clerk in satisfaction of her obligation hereunder.
2. Moore agrees that upon her earliest entitlement or opportunity to receive the foregoing PERF retirement benefits, to take all actions necessary to withdraw the sum of \$ 10,000.00 and to deliver such money at the earliest opportunity to Clerk. 27,542.67
m.m.l. Jan
3. It is understood by the parties that the exact amount owed by Moore

remains undetermined. In the event such amount is less than the amount of money paid by Moore under the terms of the foregoing Agreement, any overpayment, upon such determination will be paid by Clerk to Moore.

4. It is further agreed that if it is determined that the amount owed by Moore exceeds the amount to be paid to Clerk under the terms of this Agreement, Moore shall not be relieved of any such additional indebtedness.

ALL OF WHICH IS AGREED TO this 27 day of June, 2008.


MARY MORRIS LEONARD
East Chicago City Clerk


JULIA MOORE

POLICE DEPARTMENT
CITY OF EAST CHICAGO
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|----------------------------|----------------------------|-------------------------|
| Julia E. Moore, Police Chief's Secretary: | | | |
| Receipts Not Deposited - Cash Bonds, page 4 | \$ 40,855.00 | \$ | \$ |
| Payment received June 27, 2008, Receipt 10712 | | 8,712.33 | |
| Payment received September 8, 2008, Receipt 10749 | | 6,710.01 | |
| Payment received September 26, 2008, Receipt 10757 | | 26,832.66 | (1,400.00) |
| Unknown: | | | |
| Receipts Not Deposited - Records Division, pages 4 and 5 | <u>1,738.00</u> | <u>-</u> | <u>1,738.00</u> |
| Totals | <u><u>\$ 42,593.00</u></u> | <u><u>\$ 42,255.00</u></u> | <u><u>\$ 338.00</u></u> |

AFFIDAVIT

STATE OF INDIANA)
Lake COUNTY)

I, Jane Elder, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Police Department, City of East Chicago, Lake County, Indiana, for the period from January 1, 2007 to April 30, 2008, is true and correct to the best of my knowledge and belief.

Jane E Elder
Field Examiner

Subscribed and sworn to before me this 11th day of September, 2008.

Roselyn A. Sakevicius
Notary Public

ROSELYN A. SAKEVICIUS
Notary Public State of Indiana
Qualified in Lake County
My Commission Expires: Commission Expires March 4, 2009
County of Residence: _____